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March 11, 2004

RECEIVED

Ex Parte

MAR 11 2004

Marlene H. Dortch
Secretary
Federal Communications Commission
455 12th Street, S.W.
Washington, DC 20554

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Re: In re Application of GTE Corp., Transferor, and Bell Atlantic Corporation, Transferee For
Consent to Transfer Control of Domestic and International Sections 214 and 310
Authorizations and Application to Transfer Control of a Submarine Cable Landing License
CC Docket Number 98-184

Dear Ms. Dortch:

The enclosed materials are being filed pursuant to Verizon Communications, Inc.'s obligations under Appendix D, Section XXI, paragraph 55 (c) of the Memorandum Opinion and Order, FCC 00-221 (rel. June 16, 2000) in the above referenced docket requiring filing of annual compliance reports with the Audit Staff and for the public record no later than March 15, or the first business day thereafter, of the calendar year following the year covered by the report.

This letter provides notice that a copy of the report was filed with the Enforcement Bureau's Audit Staff.

Please include the enclosed document in the record of the above referenced proceeding.

Sincerely,

A handwritten signature in cursive script, appearing to read "Sara Cole".

Enclosure

Jeffrey Wm Ward
Senior Vice President
Regulatory Compliance



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March 11, 2004

Mr. Hugh Boyle
Chief Auditor
Enforcement Bureau, Investigations and Hearings Division
Federal Communications Commission
445 12th Street, S.W.
Room 6 – C217
Washington, D.C. 20554

Dear Mr. Boyle:

As the Verizon senior corporate regulatory compliance officer, I am submitting Verizon's 2003 Annual Compliance Report. I have responsibility for all regulatory compliance activities, including compliance with merger – related conditions described in Appendix D, Section XXI, paragraph 55(c) of Docket No. 98-184.

Sincerely,

A handwritten signature in dark ink, appearing to read "J. W. Ward", written over a horizontal line.

Jeffrey W. Ward
Senior Vice President - Regulatory Compliance



Verizon Communications Inc.

Bell Atlantic/GTE Merger Conditions Annual Compliance Report

**Jeffrey W. Ward
Senior Vice President
Regulatory Compliance
Verizon Communications Inc.**

March 11, 2004

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Introduction
Verizon Merger Compliance Report
March 11, 2003

The Bell Atlantic/GTE Merger Conditions ("Merger Conditions") require Verizon to submit a report annually by March 15 addressing the Company's¹ compliance with the Merger Conditions for the preceding calendar year. This report summarizes Verizon's compliance efforts from January 1, 2003 through December 31, 2003. Verizon is committed to complying with all Merger Conditions and has done so in all material respects, as specified in this Merger Compliance Report. Sufficient resources have been and will continue to be dedicated and adequate processes have been created and will continue to be followed to comply with the Merger Conditions. Under the direction of the senior corporate regulatory compliance officer, Verizon maintained an internal control and program management approach to provide reasonable assurance of its compliance with the Merger Conditions. The essential components of this approach, as described in Verizon's first three Annual Merger Compliance Reports, remained materially the same in 2003.

There were no additional merger efficiencies gained in 2003.

¹ The word "Company" or "Companies" used throughout this report refers to the Verizon telephone companies operating as incumbent local exchange carriers ("ILECs"), collectively as follows: Contel of the South, Inc. d/b/a Verizon Mid-States, GTE Midwest Incorporated d/b/a Verizon Midwest, GTE Southwest Incorporated d/b/a Verizon Southwest, The Micronesian Telecommunications Corporation, Verizon California Inc., Verizon Delaware Inc., Verizon Florida Inc., Verizon Hawaii Inc., Verizon Maryland Inc., Verizon New England Inc., Verizon New Jersey Inc., Verizon New York Inc., Verizon North Inc., Verizon Northwest Inc., Verizon Pennsylvania Inc., Verizon South Inc., Verizon Virginia Inc., Verizon Washington, DC Inc., Verizon West Coast Inc., Verizon West Virginia Inc., provided that, with regard to the Micronesian Telecommunications Corporation, these assertions only apply to Merger Conditions IV, XIV, XVII, XVIII, XIX, XXI, XXII, XXIII, XXIV, and XXV (see Merger Conditions, n.3).

I. Separate Affiliate for Advanced Services

Section 1: Compliance Summary

The Company complied with the requirements of this condition as described herein. Verizon operated in compliance with the requirements of paragraph 12 of Condition I, which govern certain aspects of Verizon's provisioning of advanced services after the sunset of the separate affiliate requirement.²

Section 2: Responsible Executives

Name	Title
Virginia Ruesterholz	President – Wholesale Markets
David Destefano	Senior Vice President – National Services representing Verizon Advanced Data Inc., NYNEX Long Distance d.b.a. Verizon Enterprise Solutions, and Verizon Global Networks Inc.
William Wallace	Chief Executive Officer – Verizon Avenue
Raymond Wierzbicki	Senior Vice President – Customer Services

Section 3: Additional Action Taken

None.

² On September 26, 2001, the FCC accelerated the sunset of the separate affiliate merger condition. Verizon ceased applying the separate affiliate merger rules imposed by Condition I of the Merger Conditions to Verizon Advanced Data Inc. as of September 27, 2001. Concurrent with the sunset of the separate affiliate merger condition, Verizon began operating under paragraph 12 of the Merger Conditions.

II. Discounted Surrogate Line Sharing Charges

Section 1: Compliance Summary

The provisions of this condition will apply only if the FCC line sharing rules are overturned on a final and non-appealable judicial decision. No implementation was necessary given the effectiveness of the FCC's line sharing rules.

This condition sunset on June 30, 2003.

Section 2: Responsible Executive

Name	Title
Virginia Ruesterholz	President – Wholesale Markets

Section 3: Additional Action Taken

None.

III. Loop Conditioning Charges and Cost Studies

Section 1: Compliance Summary

The Company complied with the requirements of this condition as described herein. The Company continued to make interim loop conditioning rates available in those states where permanent rates had not been approved by a state commission. These rates are subject to true-up once a state has approved the individual state-level cost studies, and true-ups were done as needed. Permanent rates for loop conditioning became effective in Oregon and in the former Bell Atlantic service area in Pennsylvania in 2003. The Company did not charge for conditioning of eligible loops less than 12,000 feet to meet minimum requirements through the removal of load coils, excessive bridged taps or voice grade repeaters, and obtained telecommunication carrier authorization prior to proceeding with any conditioning that would result in charges to the telecommunications carrier.

This condition sunset on June 30, 2003.

Section 2: Responsible Executive

Name	Title
Virginia Ruesterholz	President – Wholesale Markets

Section 3: Additional Action Taken

None.

IV. Non-Discriminatory Rollout of xDSL Services

Section 1: Compliance Summary

The Company complied with the requirements of this condition as described herein. In particular:

- a. In each state where xDSL had been deployed in at least 20 urban wire centers, at least 10% of the wire centers Verizon deployed were from the Low Income Urban Pool, and in each state where xDSL had been deployed in at least 20 rural wire centers, at least 10% of the wire centers Verizon deployed were from the Low Income Rural Pool.
- b. Verizon filed the 2003 quarterly status reports demonstrating compliance with this condition on April 30, 2003, July 31, 2003, October 30, 2003, and February 27, 2004. Verizon filed minor corrections to the first, second and third quarter 2003 reports with the fourth quarter 2003 filing.
- c. The condition sunset on December 31, 2003 in states which had met the 20 urban or rural wire center threshold prior to the first status report being filed on January 31, 2001. In states where the 20 urban or rural wire center threshold was met between January 1, 2001 and June 30, 2003, the condition will sunset 36 months from the date that the threshold was met.
- d. In a letter filed with the FCC on November 14, 2003, Verizon requested that the Enforcement Bureau issue an interpretation of Condition IV to recognize that it sunset on June 30, 2003 in all states where xDSL service was not deployed in 20 urban or rural wire centers by that date. On February 12, 2004, the FCC granted Verizon's request to sunset this condition on June 30, 2003 for those states in which Verizon had not triggered the required condition by June 30, 2003.

Section 2: Responsible Executive

Name	Title
Marilyn O'Connell	Senior Vice President – Broadband Solutions

Section 3: Additional Action Taken

Verizon enhanced the quarterly reporting review process to further minimize the chance of minor errors occurring.

V. Carrier-to-Carrier Performance Plan (Including Performance Measurements)

Section 1: Compliance Summary

The Company complied with the requirements of this condition in the following manner and as described in Section 3: Additional Action Taken. In particular, the Company carried out the following activities:

- a. Made available on an Internet web-site the required monthly performance reports by the 25th of each month, for each of the required states in the 17 measurement categories identified in Attachments A-1a and A-1b of the Merger Conditions, for the prior month. The Competitive Local Exchange Carriers (CLEC) aggregate results were also provided to the FCC on February 25, 2003, March 25, 2003, April 25, 2003, May 27, 2003, June 25, 2003, July 25, 2003, August 25, 2003, September 25, 2003, October 27, 2003, November 25, 2003, December 24, 2003, and January 26, 2004 in an excel-like format demonstrating monthly performance by state compared to retail performance or a benchmark. Such performance measurement data contained in these performance reports are complete and accurate based on the information available at the time and as described in Section 3: Additional Action Taken.
- b. Provided notice on August 11, 2003 to the FCC that the California Public Utilities Commission (CA PUC) adopted certain changes to the California Carrier-to-Carrier Guidelines. The Company proposed an implementation schedule of Verizon recommended changes to the Federal Carrier-to-Carrier Guidelines as required by the Consent Decree (FCC 02-119) released April 23, 2002. Verizon recommended incorporating all of the changes adopted by the CA PUC with four exceptions. On November 14, 2003, the FCC granted approval for one of the requested exceptions to the California Carrier-to-Carrier Guidelines and denied the other three. On December 18, 2003, Verizon provided the FCC with the implementation schedule for the three denied exceptions. On December 19, 2003, Verizon provided notice to the FCC that the New York Public Service Commission adopted certain changes to the New York Carrier-to-Carrier Plan and recommended incorporation of the changes that pertain to the Federal Carrier-to-Carrier Plan. The Company also proposed an implementation schedule of Verizon recommended changes to the Federal Carrier-to-Carrier Guidelines as required by the Consent Decree (FCC 02-119) released April 23, 2002.
- c. Made voluntary performance payments for 2003 results in accordance with Attachments A, A-3, A-4, A-5a, A-5b, A-6, A-7a and A-7b of the Merger Conditions on March 25, 2003, April 25, 2003, May 27, 2003, June 25, 2003, July

25, 2003, August 25, 2003, September 25, 2003, October 27, 2003, November 25, 2003, December 24, 2003, January 26, 2004, and February 25, 2004.

Notices were provided to the FCC within five business days after such payments were made.

Merger Condition V prescribes a three-step calculation process for payments related to performance measurements expressed as averages or means. As described in letters dated September 20, 2002 and October 3, 2002 from Joseph DiBella, Verizon Regulatory Counsel, to the FCC, Verizon used a 100% cap in step two of this calculation process (the "100% Cap") so that the payment resulting from that measure does not exceed the total number of occurrences times the per-occurrence dollar value specified in the Merger Conditions through March 2003. In a Memorandum Opinion and Order released May 20, 2003, the FCC concluded that the Merger Conditions do not permit Verizon to apply an additional cap midway through the calculation process for performance measures using averages or means. Verizon modified its formula to discontinue capping the calculated percentage at 100% effective with the April 2003 data month and the June 25, 2003 payment. In addition, Verizon's June 25, 2003 payment included an additional amount of \$18,929 reflecting the effect that modification of its formula had on payments from June 25, 2002 through May 25, 2003.

- d. Discontinued reporting merger performance measurements for District of Columbia, Maryland, and West Virginia in accordance with paragraph 17 of the Merger Conditions, upon the March 19, 2003 FCC order authorizing the Company to provide in-region interLATA service. Last report filed by the Company was for March 2003 data.

Section 2: Responsible Executive

Name	Title
Virginia Ruesterholz	President – Wholesale Markets

Section 3: Additional Action Taken

During 2003, certain errors were identified in the carrier-to-carrier performance metrics reports. Verizon detected a substantial majority of these errors as a result of its internal controls and quality assurance plan. As errors were identified, corrections were made using a change control process. Approved change control requests were scheduled for implementation and closely managed throughout the implementation process. In addition, the Wholesale Quality Assurance Team conducts periodic reviews of metrics. Verizon notifies the FCC Enforcement Bureau monthly as issues are detected.

Verizon maintained a process to evaluate the impact on the metric reports and performance payments based on the adjusted data, where Verizon had the ability to adjust the data on a retroactive basis. The net adjustment to the payments due resulting from the restatements was not significant. August 2002 performance data was the last month that was restated by the Company for known errors that were corrected and was provided to the FCC Enforcement Bureau on March 31, 2003. In a letter dated April 14, 2003 from Dee May of Verizon to Maureen Del Duca of the FCC Enforcement Bureau, Verizon notified the FCC of its decision to discontinue the voluntary provisioning of amendments to the FCC Carrier-to-Carrier performance reports effective as of that date.

During 2003, Verizon continued to implement new processes and procedures to identify and minimize errors. Verizon performs root cause analysis on change controls that are issued for corrections. To strengthen internal controls and provide adherence to the change control process, root cause analysis is also performed for deviations from the process. Corrective action plans are developed and implemented for both of these analyses to minimize reoccurrence. Regular Vice President data provider meetings provide executive level attention on issues and place emphasis on adherence to the guidelines.

On August 16, 2002, Verizon and the FCC Enforcement Bureau entered into a consent decree terminating an informal investigation into Verizon's compliance with the Merger Conditions. Verizon established a formal metrics compliance program, including a Vice Presidential steering committee, an error tracking and prevention process, refresher training of data providers, and communication of data retention requirements. In addition, Verizon established a data warehouse, which stores and retains data used in the calculation of Merger Condition V reports. Verizon continues to be in compliance with the data retention requirements. On February 20, 2003, and August 20, 2003, Verizon filed data warehouse status reports with the FCC Enforcement Bureau. As of the filing of the August 20, 2003 report, Verizon had completed the migration of data into the data warehouse for all metric domains.

The Company has established and maintains adequate internal controls concerning metric accuracy. In Verizon's March 15, 2003, Annual Merger Compliance Report, the Company reported that, to reduce the effects of human error, implementation of both a data warehouse and a third party metric replication process had begun. During 2003, the Company completed implementation of the data warehouse, and continued third party metric replications.

VI. Uniform and Enhanced OSS and Advanced Services OSS

Section 1: Compliance Summary

The Company complied with the requirements of this condition as described herein. In particular:

- a. The Company continued to provide in each Bell Atlantic and GTE state the Bell Atlantic change management process originally developed as part of the New York Proceeding and approved by the appropriate state commissions. The Company offered to include a commitment to follow the uniform change management process in its interconnection agreements with CLECs.
- b. Uniform transport and security protocols continued to be offered across the merged Bell Atlantic and GTE service areas.
- c. All of the electronic bonding interface requirements sunset during 2002. Requirements related to the offering of electronic bonding interface sunset on December 31, 2002. One carrier continued negotiations for electronic bonding interface after December 31, 2002, but subsequently requested to terminate those negotiations.
- d. By June 30, 2003, the Company implemented uniform electronic OSS interfaces and business rules between the former Bell Atlantic and the former GTE service areas in Pennsylvania and Virginia for at least 60% of the obligated access lines in Pennsylvania and Virginia.
- e. The changes made to the OSS interfaces and business rules specified in the Plan of Record (POR) as a result of the collaborative process in the Bell Atlantic Service Areas and the GTE Service Areas or as modified pursuant to Verizon's change management process continued to be available.
- f. The OSS functions and product ordering capabilities specified in the POR or as modified pursuant to Verizon's change management process continued to be offered in the Bell Atlantic and GTE service areas. As described in paragraph 64 of the Merger Conditions, the changes made per the POR sunset 36 months after implementation. Accordingly, the following portions of the POR have sunset:
 - i. In the former Bell Atlantic service areas, the ordering functions outlined in Attachment B-1 of the Merger Order, which were not in place at merger close, sunset in 2003. Specifically, the Electronic Jeopardy Notification and the Line Loss Report – Electronic Data Interchange sunset on October 15, 2003.
 - ii. In the former Bell Atlantic service areas, the products outlined in Attachment B-2 of the Merger Order, which were not available at merger close, sunset in 2003. Specifically, Unbundled Network Element Network Interface Device

sunset on October 15, 2003, and Integrated Digital Subscriber Line sunset on October 22, 2003.

- iii. In the former GTE service areas, the pre-ordering functions outlined in Attachment B-1 of the Merger Order which were not in place at merger close sunset in 2003. Specifically, the Customer Service Request (CSR) (parsed) via EDI, Common Object Request Broker Architecture (CORBA), and WebGUI and the Loop Qualification xDSL via CORBA and EDI sunset on December 4, 2003.
- g. On January 31, 2003, VZ filed an *ex parte* with the FCC certifying that its advanced services affiliate in New Jersey is using the same OSS interfaces as non-affiliates for pre-ordering and ordering unbundled network elements used to provide xDSL and other advanced services. Verizon terminated the discount in New Jersey accordingly. The advanced services discount had been terminated in all other states prior to January 1, 2003.

Section 2: Responsible Executives

Name	Title
Shaygan Kheradpir	Chief Information Officer – Information Technology
Barry Paulson	Senior Vice President – Engineering and Planning
Virginia Ruesterholz	President – Wholesale Markets

Section 3: Additional Action Taken

None.

VII. OSS Assistance to Qualifying CLECs

Section 1: Compliance Summary

The Company complied with the requirements of this condition as described herein. In particular, the Company assisted qualifying telecommunications carriers in using the Company's operating support systems. The Company informed telecommunications carriers of the self-certification process allowing telecommunications carriers to assert that they qualify for assistance and of the availability, free of charge, of OSS expert teams. In addition, the Company made available OSS support teams, provided web-based training, and held training workshops to discuss training and procedures that would be beneficial to qualifying telecommunications carriers. The Company provided notice of such training and procedures to qualifying CLECs on the Verizon Wholesale Website.

This condition sunset on September 28, 2003, 36 months after the date the OSS expert teams were designated and first made available.

Section 2: Responsible Executive

Name	Title
Virginia Ruesterholz	President – Wholesale Markets

Section 3: Additional Action Taken

None.

VIII. Collocation, Unbundled Network Elements, and Line Sharing Compliance

Section 1: Compliance Summary

The Company complied with the requirements of this condition as described herein. The Company complied with the FCC's Collocation, Unbundled Network Element, and Line Sharing rules and the final rules as amended through appropriate state tariff filings and interconnection agreement amendments and as described in Section 3: Additional Action Taken.

In particular, the Company complied with the requirements of this condition in the following manner:

- a. The Company complied with the FCC's Collocation, Unbundled Network Element and Line Sharing rules, and the final rules as amended through appropriate state tariff filings and interconnection agreement amendments.
- b. Where applicable, the Company waived, credited or refunded non-recurring costs for collocation if the collocation due date was missed by more than 60 days, unless the Company could demonstrate that the miss was solely caused by equipment vendor delay beyond the Company's control.

This condition sunset on June 30, 2003, 36 months after merger close, except for the requirement to credit or refund non-recurring costs for collocation if the collocation due date is missed by more than 60 days, unless the Company can demonstrate that the miss was solely caused by equipment vendor delay beyond the Company's control, which sunset August 30, 2003.

Section 2: Responsible Executive

Name	Title
Virginia Ruesterholz	President – Wholesale Markets

Section 3: Additional Action Taken

In limited instances, Verizon's bills for unbundled network elements contained minor errors, which are promptly corrected. Verizon has a rigorous on-going process in place to detect and resolve billing discrepancies.

In limited instances, Verizon's collocation web site postings contained minor errors, which have been corrected. During 2003, a small number of offices that were not previously shown as full on the website were determined to be full and the web postings were updated. There were no CLEC requests for collocation space in any of these

offices. During 2003, Verizon did not deny collocation space to any CLEC unless the office was already posted as full on the web when the request was made.

In limited instances, the initial responses for collocation applications were not sent within the 10 day period as required by the Commission's rules. Verizon has a rigorous on-going process in place to provide initial responses to collocation applications within 10 days.

IX. Most-Favored-Nation (MFN) Provisions for Out-of-Region and In-Region Arrangements

Section 1: Compliance Summary

The Company complied with the requirements of this condition as described herein and in Section 3: Additional Action Taken. In particular, the Company made available to requesting telecommunications carriers in the former Bell Atlantic and GTE service areas interconnection arrangements, unbundled network elements, or provisions of an interconnection agreement (including an entire agreement) subject to 47 U.S.C. 251(c) and paragraph 39 of the Merger Conditions as follows:

- a. Out-of-Region – as of July 17, 2003, Verizon had not received any CLEC requests for Verizon affiliate Out-of-Region MFN arrangements. In addition, through July 17, 2003, Verizon, when acting outside its incumbent service area, did not specifically request and obtain any interconnection arrangements or UNEs from an incumbent LEC that were not previously made available by the non-Verizon incumbent.
- b. In-region, post merger – subject to the requirements of the Merger Conditions, and as described in Section 3: Additional Action Taken, the Company made available any in-region interconnection arrangement or unbundled network element that was voluntarily negotiated by the Company with a requesting telecommunications carrier after the Merger Close Date.
- c. In-region, pre-merger – subject to the requirements of the Merger Conditions, the Company made available any in-region interconnection arrangement or unbundled network element that was voluntarily negotiated by Bell Atlantic or GTE with a requesting carrier prior to the merger, but limited to the states within the same pre-merger Bell Atlantic or GTE serving areas, respectively.

These offers were on the same terms exclusive of price and state-specific performance measures.

Where a competing carrier seeks to adopt, in an in-region Company service area, any agreements, provisions or unbundled network elements that resulted from an arbitration arising in another Verizon service area after the merger closing date, the Merger Conditions require the Company to allow other parties to submit the arbitrated agreements, provisions or unbundled network elements to immediate arbitration in the "importing" state without waiting for the statutory negotiation period of 135 days to expire, where the state consented to conducting arbitration immediately. During November 2002, two requests were received to obtain immediate arbitration. These requests were withdrawn on June 13, 2003.

- d. Each Verizon Out-of-Region local exchange affiliate posted on the Verizon website agreements entered into with non-affiliated incumbent local exchange carriers.

This condition sunset on July 17, 2003, 36 months after implementation.

Section 2: Responsible Executives

Name	Title
Virginia Rueterholz	President – Wholesale Markets
William Wallace	Chief Executive Officer – Verizon Avenue
Betsy Gibson	Vice President – Verizon Select Services Inc.

Section 3: Additional Action Taken

In applying the provisions of Condition IX, the FCC found that a CLEC had the right in certain circumstances to adopt in one state an entire interconnection agreement that Verizon had entered into in another state, including a provision governing compensation for Internet-bound traffic (*Global NAPs, Inc. v. Verizon Communications et. al*, 17 FCC Rcd 4031, ¶ 12 (2002)). The FCC also found that, "only the relevant state commission may ultimately decide whether particular terms of the agreement should be adopted in that state, and if so, what those terms mean" (*Id.* at ¶ 19). The FCC decision said it expected Verizon and the CLEC to submit the Rhode Island agreement, including the provision relating to compensation for Internet-bound traffic if the CLEC so chose, to the Virginia and Massachusetts commissions for approval, pursuant to section 252 (e)(1) of the Act (*Id.* at ¶ 20). Pursuant to the FCC's order, Verizon submitted the Rhode Island agreement to the Virginia State Corporation Commission and to the Massachusetts Department of Telecommunications and Energy under cover letters dated April 18, 2002 and March 26, 2002, respectively. The letters also explained that a provision of the agreement concerning compensation for Internet-bound traffic was not consistent with the law and regulatory policies of the respective states. In an order issued on April 18, 2003, the Virginia State Corporation Commission (SCC) declined to approve the Rhode Island agreement or to interpret it. On July 23, 2003, GNAPs filed a request to initiate the Accelerated Docket process with the FCC, claiming that Verizon had failed to comply with the FCC's prior order when it submitted the Rhode Island Agreement to the Virginia SCC. Verizon opposed GNAPs' request, claiming that it could not be held responsible for the Virginia SCC's failure to approve the Rhode Island Agreement. To resolve this dispute, the parties filed a joint motion with the Virginia SCC requesting approval of the Rhode Island Agreement as a voluntarily negotiated agreement without any request for enforcement or interpretation. On December 2, 2003, the Virginia SCC

granted the parties' joint motion. On December 12, 2003, the FCC issued a letter closing GNAPs' Accelerated Docket matter. The Massachusetts Department of Telecommunications and Energy issued a decision on June 24, 2002, approving the Rhode Island agreement, but interpreting it to deny the CLEC compensation for Internet-bound traffic.

X. Multi-State Interconnection and Resale Agreements

Section 1: Compliance Summary

The Company complied with the requirements of this condition as described herein. In particular, the Company made available a generic multi-state interconnection and resale agreement covering all BA/GTE service areas that was available, upon request, for negotiation to cover interconnection and resale agreements for any two or more states in the Verizon service area.

This condition sunset on July 17, 2003, 36 months after implementation, except for the requirement to offer a generic interconnection agreement, which sunset on August 29, 2003.

Section 2: Responsible Executive

Name	Title
Virginia Ruesterholz	President – Wholesale Markets

Section 3: Additional Action Taken

None.

XI. Carrier-to-Carrier Promotions: Unbundled Loop Discount

Section 1: Compliance Summary

The Company complied with the requirements of this condition as described herein. In particular, the Company provided the required unbundled loop discounts to all carriers unless the carrier proactively chose not to accept the discount, in accordance with the Merger Conditions and as described in Section 3: Additional Action Taken.

Section 2: Responsible Executive

Name	Title
Virginia Ruesterholz	President – Wholesale Markets

Section 3: Additional Action Taken

In limited circumstances during 2003, Verizon provided an incorrect discount amount, or provided the discount outside the 60-day requirement. In some instances, the charges eligible for the discount were billed incorrectly. Verizon took corrective actions to issue credits to the affected CLECs effective to the date the error occurred for a qualifying line during the promotional period.

XII. Carrier-to-Carrier Promotions: Resale Discount

Section 1: Compliance Summary

The Company complied with the requirements of this condition as described herein. The Company provided the required resale discount to all carriers unless the carrier proactively chose not to accept the discount, in accordance with the Merger Conditions and as described in Section 3: Additional Action Taken, and as listed below.

Notification of the discount was posted on the wholesale Internet website and CLECs were notified, on a state-by-state basis, when 50%, 80%, and 100% of the maximum required number of resold loops was reached. Notifications were also provided to FCC and state commissions when 100% thresholds were reached.

In particular, the Company complied with the requirements of this condition in the following manner:

- a. On December 23, 2002, notification was sent to CLECs doing business in the Maryland that 100% of the promotional resold lines specified in Attachment E to the Merger Conditions was met and on or about April 1, 2003, the offering window would be closed. On January 7, 2003, the Public Service Commission of Maryland was provided notice of the offering window closure. The FCC was provided notice on January 7, 2003. On March 7, 2003, a corrected notice was sent to CLECs doing business in Maryland informing them that the offering window would be closing no sooner March 15, 2003. Corrected notices were sent to the Public Service Commission of Maryland on March 6, 2003, and to the FCC on March 5, 2003.
- b. On March 12, 2003, notification was sent to CLECs doing business in Indiana that 100% of the promotional resold lines specified in Attachment E to the Merger Conditions was met. On March 10, 2003, the Indiana Utility Regulatory Commission was provided notice. The FCC was provided notice on March 7, 2003.
- c. The following states reached 80% of the maximum quantity of promotional resold lines specified in Attachment E to the Merger Conditions and notifications were sent to CLECs operating in those states as follows: Delaware on May 6, 2003, and New Jersey on July 2, 2003.
- d. The following states reached 50% of the maximum quantity of promotional resold lines specified in Attachment E to the Merger Conditions and notifications were sent to CLECs operating in those state as follows: Virginia (former GTE) on February 3, 2003, Oregon on May 12, 2003, and Michigan on July 3, 2003.
- e. The offering window for this discount sunset on July 30, 2003, 36 months after commencement of the offering window for the promotion for those states which

had not met 100% of the promotional resold lines specified in Attachment E to the Merger Conditions.

Section 2: Responsible Executive

Name	Title
Virginia Ruesterholz	President – Wholesale Markets

Section 3: Additional Action Taken

In limited instances, Verizon provided an incorrect discount amount, or provided the discount outside the 60-day requirement during 2003. In some instances, the charges eligible for the discount were billed incorrectly. Verizon took corrective actions to issue credits to the affected CLECs effective to the date the error occurred for a qualifying line during the promotional period.

XIII. Offering of UNEs

Section 1: Compliance Summary

Verizon continued to make available the UNEs and UNE combinations required in the FCC's UNE and line sharing orders as described in Condition VIII (Collocation, Unbundled Networks Elements and Line Sharing Compliance).

The *UNE Remand Order* and *Line Sharing Order* were vacated effective February 27, 2003, when the Court of Appeals issued its mandate. This invoked Verizon's obligation under Condition XIII to continue to make available UNEs and UNE combinations required by those orders until the orders became final and non-appealable. Verizon continued to make available the UNEs and UNE combinations required in the FCC's UNE and line sharing orders as described in Condition VIII (Collocation, Unbundled Networks Elements and Line Sharing Compliance). The orders became final and non-appealable on March 24, 2003, when the Supreme Court denied certiorari. Verizon's obligation to continue to make available UNEs and UNE combinations under Condition XIII terminated on that date.

This condition sunset on March 24, 2003.

Section 2: Responsible Executive

Name	Title
Virginia Ruesterholz	President – Wholesale Markets

Section 3: Additional Action Taken

None.

XIV. Alternative Dispute Resolution through Mediation

Section 1: Compliance Summary

The Company complied with the requirements of this condition as described herein. In particular, the Company implemented, subject to state commission approval and participation, an alternative dispute resolution mediation process to resolve carrier-to-carrier disputes regarding the provision of local services, including disputes relating to interconnection agreements. The Company kept the new alternative dispute resolution process posted on their Internet websites. As of July 17, 2003, Verizon had received no formal alternative dispute resolution mediation requests.

This condition sunset on July 17, 2003, 36 months after implementation.

Section 2: Responsible Executive

Name	Title
Virginia Ruesterholz	President – Wholesale Markets

Section 3: Additional Action Taken

None.

XV. Access to Cabling in Multi-Unit Properties

Section 1: Compliance Summary

The Company complied with the requirements of this condition in the following manner:

The Company made available the model interconnection agreements that provide CLECs with access to or interconnection with house and riser cabling controlled by Verizon in multi-dwelling units and multi-tenant units through July 6, 2003.

Where appropriate and consistent with state law and regulation, Verizon offered owners and developers of multi-tenant properties, in writing, the option to install a single point of interconnection at a minimum point of entry when the property owner or other party owns or maintains the cabling beyond the single point of interconnection. Verizon installed new cables in a manner to provide telecom carriers a single point of interconnection, where Verizon had the right to do so without consent of another party. Verizon also provided written notice for multi-tenant property owners that Verizon will install and provide new cables that permit a single point of interconnection in states where the demarcation point is not already at a minimum point of entry.

This condition sunset on July 6, 2003, 36 months after implementation.

Section 2: Responsible Executive

Name	Title
Barry Paulson	Senior Vice President – Engineering and Planning

Section 3: Additional Action Taken

None.

XVI. Out-of-Territory Competitive Entry

Section 1: Compliance Summary

Verizon complied with the requirements of this condition in the following manner:

During the 36-month period ending June 30, 2003, Verizon spent at least \$500 million in qualified expenditures in Out-of-Region markets. At least 20% of these expenditures were used to provide competitive local service to residential customers or to provide advanced services and at least \$250 million has been used for facilities expenditures.

This condition sunset on June 30, 2003.

Section 2: Responsible Executive

Name	Title
John Killian	Senior Vice President and CFO – Domestic Telecom

Section 3: Additional Action Taken

None.

XVII. InterLATA Services Pricing

Section 1: Compliance Summary

Verizon complied with the requirements of this condition as described herein. In particular, each Verizon subsidiary providing interLATA long distance service to wireline residential customers within the United States during 2003 continued to have in effect an interLATA long distance offering that did not include mandatory, minimum monthly, or flat rate charges for interLATA service for the reporting period or until the sunset of the requirement.

This condition sunset on June 30, 2003, 36 months after the merger close date for each Verizon subsidiary providing interLATA long distance service to wireline residential customers in Puerto Rico, Micronesia, and within the United States in former GTE states, except for the properties in Pennsylvania and Virginia.

This condition sunset for New York on January 3, 2003, 36 months after 271 authorization.

In the remaining former Bell Atlantic states (including Pennsylvania and Virginia), Verizon complied with the requirements of this condition by each Verizon subsidiary providing interLATA long distance service to wireline residential customers within the United States during 2003 continuing to have in effect an interLATA long distance offering that did not include mandatory, minimum monthly, or flat rate charges for interLATA service. Ongoing compliance includes each state for which Verizon secured 271 authorization during the reporting period.

Section 2: Responsible Executive

Name	Title
Michael Hassett	Senior Vice President – Retail Markets Product Management

Section 3: Additional Action Taken

None.

XVIII. Enhanced Lifeline Plans

Section 1: Compliance Summary

The Company complied with the requirements of this condition by maintaining Enhanced Lifeline Plans in Delaware and Illinois that were comparable to the Ohio Universal Service Assistance Lifeline Plan in the areas of subscriber eligibility, discounts and eligible services.

This condition sunset for Delaware on December 12, 2003, 36 months following the effective date of the initial tariff.

Section 2: Responsible Executive

Name	Title
Michael Hassett	Senior Vice President – Retail Markets Product Management

Section 3: Additional Action Taken

None.

XIX. Additional Service Quality Reporting

Section 1: Compliance Summary

The Company complied with the requirements of this condition in the following manner and as described in Section 3: Additional Action Taken:

- a. The Company provided, through an internet website, the three quarterly NARUC retail service quality reports relating to the first three quarters of calendar year 2003 on May 14, 2003, August 19, 2003, and November 19, 2003. This condition sunset with the November 19, 2003 filing. Upon agreement between the Company and the FCC staff, Ernst & Young LLP was requested to perform procedures and report on the completeness and accuracy of seven NARUC White Paper service quality measures, as listed below, included on the quarterly NARUC Service Quality Reports:
 1. Line 100, Number of Orders for Basic Service;
 2. Line 110, Number of Installation Orders for Basic Service Completed Within 5 Working days;
 3. Line 200, Number of Out-of-Service Initial Trouble Reports;
 4. Line 270, Total Out -of-Service Trouble Reports Equal to or Greater Than 24 Hours;
 5. Line 280, Average Hours to Repair all Basic Service Troubles; and
 6. Line 290, Total Missed Repair Commitments.
 7. Total Repair Commitments.

The seven NARUC retail service quality measures were based on information contained in the operating support systems used by the Company for installation, maintenance and repair. The data were calculated in accordance with the definitions in the NARUC Service Quality White Paper and the application of these definitions and the Company's calculation of these data are complete and accurate except as described in Section 3: Additional Action Taken.

- b. The Company provided, through an internet website or directly to the relevant state commission, quarterly local service quality data relating to the first two quarters of calendar year 2003 from Table 1, ARMIS Report 43-05, carriers.

These quarterly reports were provided on May 14, 2003 and August 19, 2003.
This condition sunset with the second quarter filing.

Section 2: Responsible Executive

Name	Title
Maura Breen	Senior Vice President – Support Services, Network Services Group

Section 3: Additional Action Taken

During 2003, certain errors were identified in the quarterly NARUC retail service quality reports. Results were corrected prospectively as errors were identified.

In a letter dated May 28, 2003, Maureen Del Duca, Chief – Investigations and Hearings Division of the Enforcement Bureau, provided a response to Ernst & Young's request for FCC staff interpretation on issues related to Merger Condition XIX. Effective with second quarter 2003 reporting, Verizon reported maintenance and repair metrics (lines 200, 210, 220, 230, 240, 250, 270, 280 and 290) and average waiting time for calls answered live (line 510) in accordance with the May 28, 2003 guidance.

On August 16, 2002, Verizon and the Enforcement Bureau entered into a consent decree terminating an informal Bureau investigation into Verizon's compliance with the Merger Conditions. Verizon sustained a formal metrics compliance program, including a Vice Presidential steering committee, an error tracking and prevention process, refresher training of data providers, and independent replication. Verizon continues to be in compliance with the data retention requirements.

XX. NRIC Participation

Section 1: Compliance Summary

The Company complied with requirements of this condition by continuing to participate in the Network Reliability and Interoperability Council (NRIC) VI meetings.

This condition sunset on June 30, 2003.

Section 2: Responsible Executive

Name	Title
John Bell	Senior Vice President – Technology and Chief Technology Officer

Section 3: Additional Action Taken

None.

XXI. Compliance Program

Section 1: Compliance Summary

Verizon complied with the requirements of this condition as described herein. In particular, Verizon provided accurate and timely reports to the FCC, as required by the condition, including its Annual Merger Compliance Report that was filed on March 17, 2003, which disclosed issues known at that time.

A senior corporate officer appointed as Senior Vice President – Regulatory Compliance oversaw implementation of, and compliance with, the Merger Conditions. The Senior Vice President – Regulatory Compliance presented merger compliance status to the audit committee of the Verizon board of directors on April 23, 2003 and November 6, 2003. Verizon consulted with the FCC staff on an ongoing basis regarding Verizon's compliance. Verizon provided accurate and timely notices to the FCC and state public utilities commissions pursuant to specific notification requirements of the Merger Conditions. These notices were provided to Deloitte & Touche LLP and Ernst & Young LLP in a timely manner.

Section 2: Responsible Executive

Name	Title
Jeffrey W. Ward	Senior Vice President – Regulatory Compliance

Section 3: Additional Action Taken

None.

XXII. Independent Auditor

Section 1: Compliance Summary

Verizon complied with the requirements of this condition as described herein. In particular, Verizon engaged independent auditors deemed acceptable to the FCC for the 2003 Merger audits as follows:

- a. Advanced Services agreed-upon procedures engagement – Mitchell & Titus, LLP.
- b. General Merger Conditions, V, XVI, and XIX – Ernst & Young LLP.
- c. All remaining General Merger Conditions – Deloitte & Touche LLP.

The auditors selected have not been instrumental during the past 24 months in designing all or substantially all of the systems and processes under examination in the attestation engagement.

The 2002 Advanced Services agreed-upon procedures report was filed on May 1, 2003. The 2002 General Merger Conditions audit report, exclusive of Conditions V, XVI, and XIX was filed with the FCC on May 1, 2003. The 2002 Genuity audit report was filed on May 23, 2003. The General Merger Conditions audit report for Conditions V, XVI, and XIX was filed on June 2, 2003. Work papers were made available at a Washington, D.C. location.

On May 15, 2003, Verizon, the FCC Audit Staff and Deloitte & Touche LLP met to confer regarding changes to the detailed audit program. On July 17, 2003, Verizon, the FCC Audit Staff, and Ernst & Young LLP met to confer regarding changes to the detailed audit program. The Company kept the FCC informed of matters required under the Merger Conditions. Verizon granted the independent auditors access to all books, records, operations, and personnel relevant to the conditions addressed in this report.

Section 2: Responsible Executive

Name	Title
Jeffrey W. Ward	Senior Vice President – Regulatory Compliance

Section 3: Additional Action Taken

None.

XXIII. Enforcement

Section 1: Compliance Summary

There has been no determination by the Chief of the Enforcement Bureau that Verizon failed to comply with the Merger Conditions during the effective period of any condition. In accordance with Attachments A, A-3, A-4, A-5a, A-5b, A-6, A-7a, and A-7b of the Merger Conditions, Verizon made voluntary payments to the U.S. Treasury on March 25, 2003, April 25, 2003, May 27, 2003, June 25, 2003, July 25, 2003, August 25, 2003, September 25, 2003, October 27, 2003, November 25, 2003, December 24, 2003, January 26, 2004, and February 25, 2004, related to 2003 performance measurement requirements. Notices were provided to the FCC within five business days after such payments were made.

Section 2: Responsible Executive

Name	Title
Jeffrey W. Ward	Senior Vice President – Regulatory Compliance

Section 3: Additional Action Taken

None.

XXIV. Sunset

Section 1: Compliance Summary

Merger Conditions II, III, VII, VIII, IX, X, XIII, XIV, XV, XVI, XIX, and XX sunset during 2003. In addition, portions of Merger Conditions IV, V, VI, XVII, and XVIII sunset during 2003. In an order released March 26, 2003, the FCC granted Verizon's request to remove Genuity Conditions, including the audit condition, effective December 18, 2002.

Section 2: Responsible Executive

Name	Title
Jeffrey W. Ward	Senior Vice President – Regulatory Compliance

Section 3: Additional Action Taken

None.

XXV. Effect of Conditions

Section 1: Compliance Summary

Verizon followed the guidance of this condition in interpreting and applying the Merger Conditions and the relationship to state law.

Section 2: Responsible Executive

Name	Title
Jeffrey W. Ward	Senior Vice President – Regulatory Compliance

Section 3: Additional Action Taken

None.

Genuity

Section 1: Compliance Summary

On December 18, 2002, Verizon sold all of its Class A shares in Genuity. As of that date, Verizon's remaining equity interest in Genuity was estimated to be less than 1%. Since that time, the bankruptcy court overseeing the Genuity bankruptcy approved a plan of liquidation and Verizon's interest is estimated to have no value.

On November 27, 2002, Verizon filed a motion with the Commission to remove the Merger Conditions relating to Verizon's relationship with Genuity. In an order released March 26, 2003, the FCC granted Verizon's request to remove Genuity Conditions, including the audit condition, effective December 18, 2002.

Section 2: Responsible Executives

Name	Title
Jeannie Diefenderfer	Vice President – Provisioning & Maintenance Support
William Heitmann	Senior Vice President & Treasurer

Section 3: Additional Action Taken

None.